By OBIE G. WHICHARD

Trends in the U.S. Direct Investment Position Abroad, 1950-79

This article presents data on the U.S. direct investment position abroad, equity and intercompany account outflows, and reinvested earnings of incorporated foreign affiliates for 1950–79. The data for 1950–65 have been reaggregated from previously published data into formats as similar as possible to those used in the SURVEY OF CURRENT BUSINESS *for 1966 forward. In tables 7, 8, and 9, the 3 items are shown for 6 areas (excluding subtotals), 5 of which are cross-classified by 3 industries. In the near future, tables showing these 3 items and, in addition, income; earnings; and interest, dividends, and earnings of unincorporated affiliates for 43 countries or areas and 6 industries will be available upon request.*

DURING 1950–79, the U.S. direct investment position abroad expanded greatly and underwent marked changes in its composition by area and industry. Also, the relative sizes of the different components of change in the position varied significantly. The major developments, which are reviewed and interpreted in this article, were:

- At yearend 1950, the U.S. direct investment position abroad was $11.8 billion. From 1950 to 1979, the position grew at an average annual rate of 10.1 percent and, by yearend 1979, had reached $192.6 billion. Growth tended to be most rapid in the early-to-mid fifties, and to be slowest in the late fifties and early sixties.
- Of the two generally largest components of change in the position—equity and intercompany account outflows and reinvested earnings of incorporated foreign affiliates—reinvested earnings was generally the larger component at the beginning and end of the period; equity and intercompany account outflows were larger during the middle of the period.
- At yearend 1950, the shares of the position accounted for by affiliates in developed and developing countries were about the same—48 and 49 percent, respectively. ("International and unallocated" accounted for the remainder.) By yearend 1979, the share of developed countries had increased to 72 percent, while that of developing countries had declined to 25 percent. European affiliates largely accounted for the increase in the share of developed countries, while Latin American affiliates largely accounted for the decline in the share of developing countries.
- At yearend 1950, 29 percent of the position was in petroleum, 32 percent in manufacturing, and 39 percent in "other" industries. Largely during the sixties and early seventies, investments in manufacturing rose significantly relative to those in petroleum. At yearend 1979, 22 percent of the position was in petroleum, 43 percent in manufacturing, and 35 percent in "other" industries.

The position is the net book value of U.S. direct investors' equity in, and outstanding loans to, their foreign affiliates. It is sometimes confused with, and accordingly should be distinguished from, total assets of the affiliates themselves, which are the sum of total owners' equity held by, and total liabilities owed to, both U.S. direct investors and all other persons.[1]

The change in the position in a given year consists of three components: (1) equity and intercompany account outflows, (2) reinvested earnings of incorporated foreign affiliates, and (3) valuation adjustments. Equity and intercompany account outflows are the net increase in U.S. parents' capital stock (including additional paid-in-capital) in, and intercompany account balances with, incorporated foreign affiliates, plus the net increase in U.S. parents' claims on the net assets of unincorporated foreign affiliates. Reinvested earnings are U.S. parents' shares in the earnings of incorporated foreign affiliates (net of foreign income taxes), less gross dividends to U.S. parents from these affiliates. Valuation adjustments are all changes in the position not arising from the other two components. The sum of equity and intercompany account outflows and reinvested earnings is equal to capital outflows for U.S. direct investment abroad recorded in the U.S. international transactions accounts.

Data on the position are collected for the universe of foreign affiliates in censuses, or benchmark surveys, of direct investment. Benchmark surveys were conducted in 1950, 1957, and 1966.[2] (A survey covering 1977 is in the final stages of processing.) For nonbenchmark years, sample data are collected, and are linked to the universe data collected in the most recent benchmark survey. As a result of this linking (or benchmarking) process, the universe

1. Data on total affiliate assets are collected in BEA's benchmark surveys of U.S. direct investment abroad.

2. Results of these surveys were published in U.S. Department of Commerce, Office of Business Economics, *Direct Private Foreign Investments of the United States: Census of 1950* (Washington, D.C.: U.S. Government Printing Office, 1953); idem, *U.S. Business Investments in Foreign Countries* (Washington, D.C.: U.S. Government Printing Office, 1960); U.S. Department of Commerce, Bureau of Economic Analysis, *U.S. Direct Investment Abroad, 1966: Final Data* (Washington, D.C.: U.S. Government Printing Office, n.d.).

data for the benchmark year are extrapolated forward, based on the sample data, to obtain universe estimates for subsequent years.

For a benchmark year, estimates made by linking sample data to the previous benchmark survey will generally differ from data collected in the new one, because movements in the sample data collected in that year, and in the years between the two benchmark surveys, do not perfectly reflect movements in the universe. The technical note at the end of the article compares the linked-sample and benchmark estimates for 1957 and 1966; the note also discusses comparability problems stemming from changes in the definition of direct investment, changes in the method of allocating the position by country and industry, and measurement of the position in terms of historical book values.

Overview

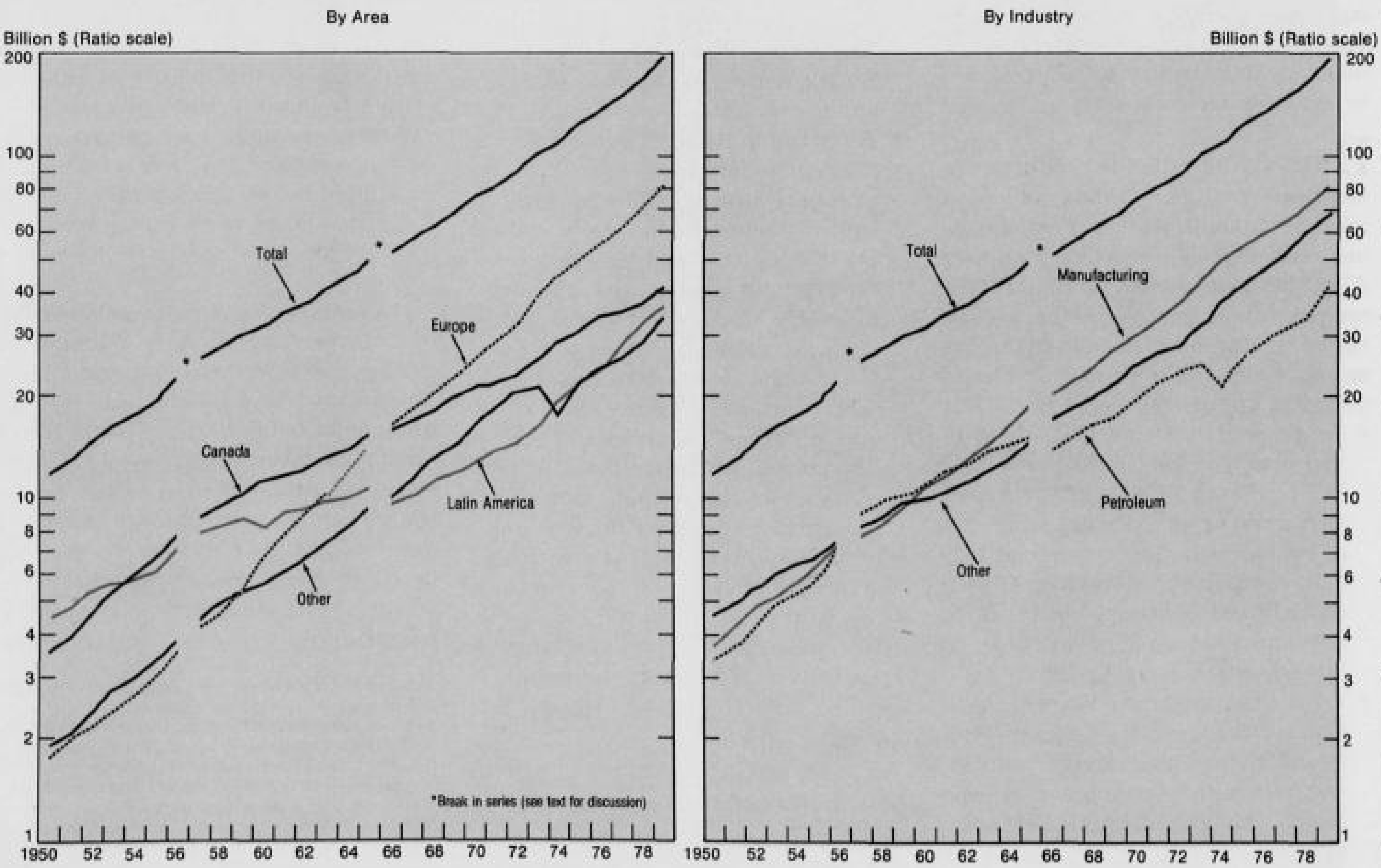
At yearend 1950, the U.S. direct investment position abroad was $11.8 billion; at yearend 1979, it was $192.6 billion (table 1 and chart 8). The average annual growth rate was 10.1 percent, with a high of 16 percent in 1956 and a low of 5 percent in 1966. The 1966 figure reflected a downward revision made as a result of benchmarking the data to BEA's 1966 benchmark survey of U.S. direct investment abroad, rather than an actual deceleration of investment activity; in the absence of this revision, the position would have increased about 11 percent in 1966. The second slowest growth year was 1960, when the position increased only 7 percent, primarily because expropriated investments in Cuba were removed from the position.

Although year-to-year variations make it difficult to draw general conclusions concerning subperiods of 1950–79, there was some tendency for the position to grow most rapidly during 1950–57, when large investments were made in Canada and, during 1956–57, in Venezuela. Growth tended to be slowest during the late fifties and early sixties, probably because of slow growth in the world economy, as well as the 1960 disinvestment in Cuba.

After the midsixties, growth in the position was fairly stable: the rates ranged from 9 to 11 percent, except in 4 years—1973, 1975, 1978, and 1979—when they ranged higher. The rapid growth in these 4 years was in part a consequence of three related factors that characterized the seventies: (1) high rates of worldwide inflation, (2) sharp increases in petroleum prices, and

CHART 8

U.S. Direct Investment Position Abroad, 1950-79



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(3) floating exchange rates. In 1973, 1978, and 1979, the growth in the position was accounted for by reinvested earnings of incorporated foreign affiliates. In 1973 and 1979, dollar earnings were boosted by both rapid worldwide inflation and particularly sharp petroleum price increases; in 1978, they were boosted by depreciation of the U.S. dollar against several major foreign currencies. In each year, much of the increase in earnings tended to be reinvested by affiliates, probably in part because of the need to finance the replacement of physical assets at costs exceeding allowances calculated under historical cost accounting. In 1975, the rapid growth in the position was accounted for by equity and intercompany account outflows, partly due to the reversal of large inflows from petroleum affiliates in 1974. This shift in equity and intercompany account flows was related to sharp increases in petroleum prices in 1973–74.

Growth in the Position, by Component

During 1950–79, the patterns of growth in the position, both by component and by area and industry, varied. Table 2 shows, for 1950–79, the three components of the change in the position in millions of dollars and as a percent of the total change.

In most years, the two largest components of change in the position were equity and intercompany account outflows and reinvested earnings of incorporated foreign affiliates. Of these two components, equity and intercompany account outflows were larger in 17 of the 30 years in the period—in 1950 and 1956–71. Except for 1950, reinvested earnings were larger at the beginning (1951–55) and end (1972–79) of the period.

A higher proportion of incorporated affiliates' earnings were reinvested, rather than being remitted to U.S. parents, in the two periods when reinvested earnings were larger than in the period when equity and intercompany account outflows were larger. During 1951–55, high rates of reinvestment apparently resulted mainly from the need to finance the expansion of existing affiliates; passive accumulation of funds because of restrictions on remittances by host governments was of secondary importance.

During 1972–79, rates of reinvestment were comparatively high partly because, during much of the period, foreign inflation and dollar depreciation against a number of foreign currencies made it difficult for affiliates to maintain stocks of physical capital using only funds provided by allowances based upon historical prices and exchange rates. Maintenance of these stocks also required the reinvestment of a portion of the affiliates' earnings. Reinvestment for this purpose had not been necessary to the same extent in earlier periods, when foreign inflation rates were generally lower and foreign exchange rates more stable.

The importance of reinvested earnings as a component of change in the position during 1972–79 reflected not only a relatively high rate of reinvestment, but also extremely slow growth in equity and intercompany account outflows. Absolute declines in outflows were registered in 5 of the 8 years in the period. This slow growth was partly attributable to an increase in sales, relative to purchases, of capital stock in incorporated affiliates by U.S. parents. Table 3 shows, for 1964–78, data on U.S. parents' acquisitions and sales of stock from or to foreigners other than the affiliate in which the investment was made—primarily unaffiliated foreigners.[3] (Such data are not available for other years.)

During 1963–72, outflows to acquire capital stock from unaffiliated foreigners substantially exceeded inflows from the sale of capital stock to unaffiliated foreigners. For most of these years, a major portion of outflows for acquisitions was to acquire or add to investment in European manufacturing affiliates. Some of this investment was prob-

Table 1.—U.S. Direct Investment Position Abroad, 1950 and 1979

	Amount		Distribution		Average annual rate of growth, 1950–79
	1950	1979	1950	1979	
	Millions of dollars		Percent		
All areas	11,788	192,648	100	100	10.1
Petroleum	3,390	41,553	29	22	9.0
Manufacturing	3,831	82,564	32	43	11.2
Other	4,567	67,531	39	35	9.7
Developed countries	5,696	137,927	48	72	11.6
Petroleum	981	31,331	8	17	12.7
Manufacturing	2,984	67,856	25	35	11.3
Other	1,731	38,741	15	20	11.3
Canada	3,579	41,033	30	21	8.8
Petroleum	418	9,108	4	5	11.2
Manufacturing	1,897	18,237	16	10	8.3
Other	1,264	13,688	11	7	8.2
Europe	1,733	81,463	15	42	14.2
Petroleum	426	18,665	4	10	13.9
Manufacturing	932	41,316	8	21	14.6
Other	374	21,083	3	11	15.0
Other	384	15,431	3	8	13.6
Petroleum	137	4,068	1	2	12.4
Manufacturing	156	6,852	1	4	12.9
Other	92	4,463	1	2	14.3
Developing countries	5,736	47,841	49	25	7.6
Petroleum	2,169	7,291	19	4	4.2
Manufacturing	847	16,108	7	8	10.7
Other	2,720	24,412	23	13	7.9
Latin America	4,577	36,834	39	19	7.5
Petroleum	1,308	4,588	11	2	4.4
Manufacturing	781	15,220	7	7	10.2
Other	2,488	16,046	21	10	7.8
Other	1,159	11,007	10	6	8.1
Petroleum	860	2,662	7	1	3.9
Manufacturing	66	3,078	1	2	14.0
Other	233	5,266	2	3	11.6
International and unallocated	356	6,880	3	4	10.8
Petroleum	240	2,502	2	1	8.4
Manufacturing	----------	----------	----------	----------	----------
Other	116	4,378	1	2	13.3

3. For 1978, the data cover only transactions with unaffiliated foreigners.

Table 2.—Additions to U.S. Direct Investment Position Abroad, 1950–79

Year	Amount: Total	Amount: Equity and intercompany account outflows	Amount: Reinvested earnings of incorporated affiliates	Amount: Valuation adjustments [1]	Distribution: Total	Distribution: Equity and intercompany account outflows	Distribution: Reinvested earnings of incorporated affiliates	Distribution: Valuation adjustments [1]	Memorandum: Position at yearend
	Millions of dollars				Percent				Millions of dollars
1950	1,089	621	476	−8	100	57	44	−1	11,788
1951	1,191	508	751	−68	100	43	63	−6	12,979
1952	1,742	852	928	−38	100	49	53	−2	14,721
1953	1,633	735	926	−28	100	45	57	−2	16,253
1954	1,376	667	702	7	100	48	51	1	17,631
1955	1,764	823	962	−19	100	47	54	−1	19,395
1956	3,108	1,951	1,175	−18	100	63	38	−1	22,505
1957	2,890	2,442	1,363	−915	100	84	47	−32	25,394
1958	2,015	1,181	945	−111	100	59	47	−6	27,409
1959	2,418	1,372	1,089	−43	100	57	45	−2	29,827
1960	2,038	1,674	1,266	−902	100	82	62	−44	31,865
1961	2,852	1,599	1,054	199	100	56	37	7	34,717
1962	2,559	1,654	1,198	−293	100	65	47	−11	37,276
1963	3,460	1,976	1,507	−23	100	57	44	−1	40,736
1964	3,744	2,328	1,431	−15	100	62	38	(*)	44,480
1965	4,994	3,468	1,542	−16	100	70	31	−1	49,474
1966	2,318	3,625	1,791	−3,098	100	156	77	−134	51,792
1967	4,768	3,050	1,757	−39	100	64	37	−1	56,560
1968	5,347	2,855	2,440	52	100	53	46	1	61,907
1969	6,186	3,130	2,830	226	100	51	46	4	68,093
1970	7,387	4,413	3,176	−202	100	60	43	−3	75,480
1971	7,280	4,441	3,176	−337	100	61	44	−5	82,760
1972	7,118	3,214	4,532	−628	100	45	64	−9	89,878
1973	11,435	3,194	8,158	83	100	28	71	1	101,313
1974	8,765	1,275	7,777	−287	100	15	89	−3	110,078
1975	13,972	6,196	8,048	−272	100	44	58	−2	124,050
1976	12,759	4,253	7,696	810	100	33	60	6	136,809
1977	13,039	5,612	7,286	141	100	43	56	1	149,848
1978	17,957	4,877	11,469	1,611	100	27	64	9	167,804
1979	24,844	5,904	18,414	525	100	24	74	2	192,648

[1] Includes all changes in the position not arising from the other two sources (see text).
* Less than 0.5 percent (±).

ably a delayed response to the earlier formation of the European Economic Community, and some was probably encouraged by an overvalued U.S. dollar. Both factors tended to increase the attractiveness to U.S. companies of direct investment, relative to exporting, as a means of serving foreign markets.

In contrast, in 1973, outflows for acquisitions only slightly exceeded inflows from sales, and in each of the succeeding years sales exceeded acquisitions. The excess of sales over acquisitions was particularly large in 1976 and 1978, when several sizable sales occurred. The motivations previously mentioned for acquisitions of equity in foreign affiliates had probably diminished by the midseventies: U.S. companies had had ample time to adjust patterns of trade and investment in response to the formation of the European Economic Community, and increased flexibility of foreign exchange rates and the substantial depreciation of the U.S. dollar probably had reduced the significance of persistent exchange-market disequilibrium as a factor in investment decisions. In addition, motivations for sales may have increased. Reasons for some of the larger sales included concern over Canadian controls on petroleum exports; host-government procurement policies favoring locally owned firms; concern over the ability of affiliates to compete with more highly integrated locally owned firms; the desire to raise funds to finance domestic (U.S.) operations; and pressures by host governments for a greater degree of local ownership of affiliates, particularly in the extractive industries. In some instances, local ownership was increased through the sale of affiliates to governments or government enterprises.

Slow growth in equity and intercompany account outflows during 1972–79 was also attributable to a tendency for affiliates to rely increasingly on foreign, rather than U.S., funds to finance their operations. According to BEA's data on sources and uses of funds of foreign affiliates for 1957–76 (the data for 1966 forward cover only majority-owned affiliates), this tendency first became evident around 1968, when mandatory controls on U.S.-source financing of foreign affiliates were established.[4] It apparently continued even after the controls were abolished in January 1974. The controls appear to have had lasting effects on foreign capital markets, which grew and developed during the program years to meet increased demands for foreign-source funds.

Finally, equity and intercompany account outflows were dampened during 1972–79 by a reduction in outflows to, or shift to inflows from, petroleum affiliates. As discussed in the next section, the pattern of outflows in petroleum was closely associated with changes in crude oil prices.

As noted above, valuation adjustments—the third component of change in the position—include all changes in the position not arising from the other two components. They primarily reflect differences between transactions values

4. The tendency might have been even stronger had there not been a provision that permitted U.S. parents to supply their foreign affiliates with funds in excess of program ceilings by borrowing abroad and using the proceeds to offset their excess financing of affiliates.

Table 3.—Acquisitions and Sales of Capital Stock in Incorporated Affiliates From or to Foreigners Other Than Affiliate in Which Investment Was Made, 1963–78

[Millions of dollars]

Year	Acquisitions (1)	Sales (2)	Column (1) minus column (2) (3)
1963	238	62	176
1964	536	108	428
1965	369	90	279
1966	591	29	562
1967	606	416	190
1968	800	220	580
1969	847	164	683
1970	855	157	698
1971	656	196	460
1972	854	153	701
1973	666	627	39
1974	526	574	−48
1975	502	546	−44
1976	311	1055	−744
1977	491	647	−156
1978	721	2,331	−1,610

NOTE.—Data for any given year have not been revised since they were last published in the SURVEY. For 1963–77, includes transactions in which a U.S. parent acquired or sold capital stock in one affiliate from or to another affiliate. However, most acquisitions and sales were from or to unaffiliated foreigners. For 1978, only acquisitions and sales from or to unaffiliated foreigners are included.

on the books of U.S. parents, which are used to record equity and intercompany account outflows, and book values on the books of foreign affiliates, which are used to record changes in the position. For example, they include differences between the proceeds from and book value of affiliates that are sold or liquidated; differences between the purchase price and book value of affiliates that are acquired by U.S. parents; and write-offs resulting from uncompensated expropriations of affiliates. Valuation adjustments may also arise because of reclassifications of investments from (to) direct investment to (from) portfolio investment; revisions made in conjunction with benchmarking, such as the correction of errors or changes in definition; and revaluations of affiliate assets.[5] For individual areas and industries, they include reclassifications of investments between areas and industries.

Valuation adjustments were a relatively small component of the change in the position in most years shown in table 2. However, they were quite large in the benchmark years 1957 and 1966, and in 1960, when the expropriated investments in Cuba were removed from the position; the adjustments were negative in all three years. Relatively large negative adjustments were also made for 1962 and 1972; these adjustments resulted from the reclassification of several Canadian investments from direct to portfolio investment. The largest positive adjustments were made for 1978, when several affiliates were sold for more than their book value, and when, partly as a byproduct of the 1977 benchmark survey, several previously unreported affiliates were included in the position for the first time.

5. For 1978 and 1979, the gains and losses arising from such revaluations are consistently included as reinvested earnings of incorporated affiliates or equity and intercompany account outflows to unincorporated affiliates, rather than as valuation adjustments. Before 1978, however, these gains and losses, if known, were included as valuation adjustments.

Area and Industry Patterns

Tables 1 and 4 show levels, percentage distributions, and average annual rates of growth in the position by area and industry. The percentage distributions and rates of growth are interrelated. The share in the total of a given area or industry will increase, remain unchanged, or decline, respectively, depending upon whether its growth rate is above, equal to, or below that of the total. For an area or industry whose growth rate is above (below) that of the total, the increase (decline) in its share will be larger (1) the larger its initial share, (2) the larger the difference between its growth rate and the growth rate for the total, and (3) the longer the period over which growth is compounded.[6]

At yearend 1950, the shares of the position accounted for by affiliates in developed and developing countries were about the same—48 and 49 percent, respectively. "International and unallocated," which includes shipping and certain other international operations, accounted for the remainder. In both developed and developing countries, the areas with the largest shares were in the Western Hemisphere: in developed countries, Canada had the largest share (30 percent); in developing countries, Latin America had the largest share (39 percent) (chart 9).

By yearend 1979, the geographical distribution of the position had changed significantly. The share of the developed countries had increased to 72 percent, while that of the developing countries had declined to 25 percent. The share of "international and unallocated" had increased slightly.

European affiliates largely accounted for the increase in the share of the developed countries. As a result of faster-than-average growth in all three major industries, the share of Europe increased from 15 percent at yearend

6. More precisely, letting r equal the growth rate for the given area or industry, R equal that for the total, and t equal the period over which growth is compounded, the change in the share of the given area or industry is equal to the initial share multiplied by $\{[1+((r-R)/(1+R))]^t-1\}$.

Table 4.—U.S. Direct Investment Position Abroad, Yearend 1950, 1957, 1966, and 1979, by Industry

	Amount				Distribution				Average annual rate of growth, 1950–79
	1950	1957	1966	1979	1950	1957	1966	1979	
	Millions of dollars				Percent				
All industries	11,788	25,394	51,792	192,648	100	100	100	100	10.1
Petroleum	3,390	9,055	13,893	41,553	29	36	27	22	9.0
Manufacturing	3,831	8,009	20,740	83,564	32	32	40	43	11.2
Food products	483	723	1,771	7,201	4	3	3	4	9.8
Chemicals and allied products	512	1,378	3,849	18,990	4	5	7	10	13.3
Primary and fabricated metals	385	841	1,448	4,601	3	4	3	2	9.0
Machinery	807	1,658	5,083	23,391	7	7	10	12	12.3
Machinery, except electrical	420	927	3,339	n.a.	4	4	6	n.a.	n.a.
Electrical machinery	387	731	1,798	n.a.	3	3	3	n.a.	n.a.
Transportation equipment	485	1,204	3,919	11,489	4	5	8	6	11.5
Other manufacturing	1,159	2,109	4,729	17,322	10	8	9	9	9.8
Paper and allied products	378	728	1,284	n.a.	3	3	2	n.a.	n.a.
Rubber and misc. plastics products	183	401	817	n.a.	2	2	2	n.a.	n.a.
Other	599	983	2,618	n.a.	5	4	5	n.a.	n.a.
Other industries	4,566	8,331	17,160	67,531	39	33	33	35	9.7
Mining and smelting	1,129	2,361	3,963	7,185	10	9	8	4	6.6
Transportation, communication, and public utilities	1,425	2,145	2,280	3,607	12	8	4	2	3.3
Trade	762	1,668	4,331	20,709	6	7	8	11	12.1
Wholesale trade	542	1,156	3,427	n.a.	5	5	7	n.a.	n.a.
Retail trade	221	513	905	n.a.	2	2	2	n.a.	n.a.
Finance and insurance	425	1,081	4,549	27,488	4	4	9	14	15.6
Other	826	1,164	2,046	8,570	7	5	4	4	8.4
Agriculture	589	689	323	n.a.	5	3	1	n.a.	n.a.
Other	237	475	1,724	n.a.	2	3	3	n.a.	n.a.

n.a. Not available.

1950 to 42 percent at yearend 1979. The share of "other" developed countries—Japan, Australia, New Zealand, and South Africa—rose from 5 percent to 8 percent. Partly offsetting was a decline, from 30 percent to 21 percent, in the share of Canada; this decline resulted from slower-than-average growth in manufacturing and "other" industries.

Latin American affiliates largely accounted for the decline in the share of developing countries. The share of Latin America declined from 39 percent to 19 percent because of slower-than-average growth in petroleum and "other" industries. The share of "other" developing countries also declined because of slow growth in petroleum.

The industry distribution of the position also changed significantly during the period. At yearend 1950, 29 percent of the position was in petroleum, 32 percent in manufacturing, and 39 percent in "other" industries. At yearend 1979, 22 percent of the position was in petroleum, 43 percent in manufacturing, and 35 percent in "other" industries. Investments in manufacturing had risen significantly—largely during the sixties and early seventies—relative to petroleum investments.

These changes in area and industry composition reflected changes in the relative advantages and disadvantages of investing in various areas and industries. They also reflected the facts that the initial (1950) U.S. direct investment position in Europe, but not in Canada and Latin America, had been lowered by the destruction of U.S. investments during World War II, and that the position in Europe in later years was raised by the replacement of these investments.

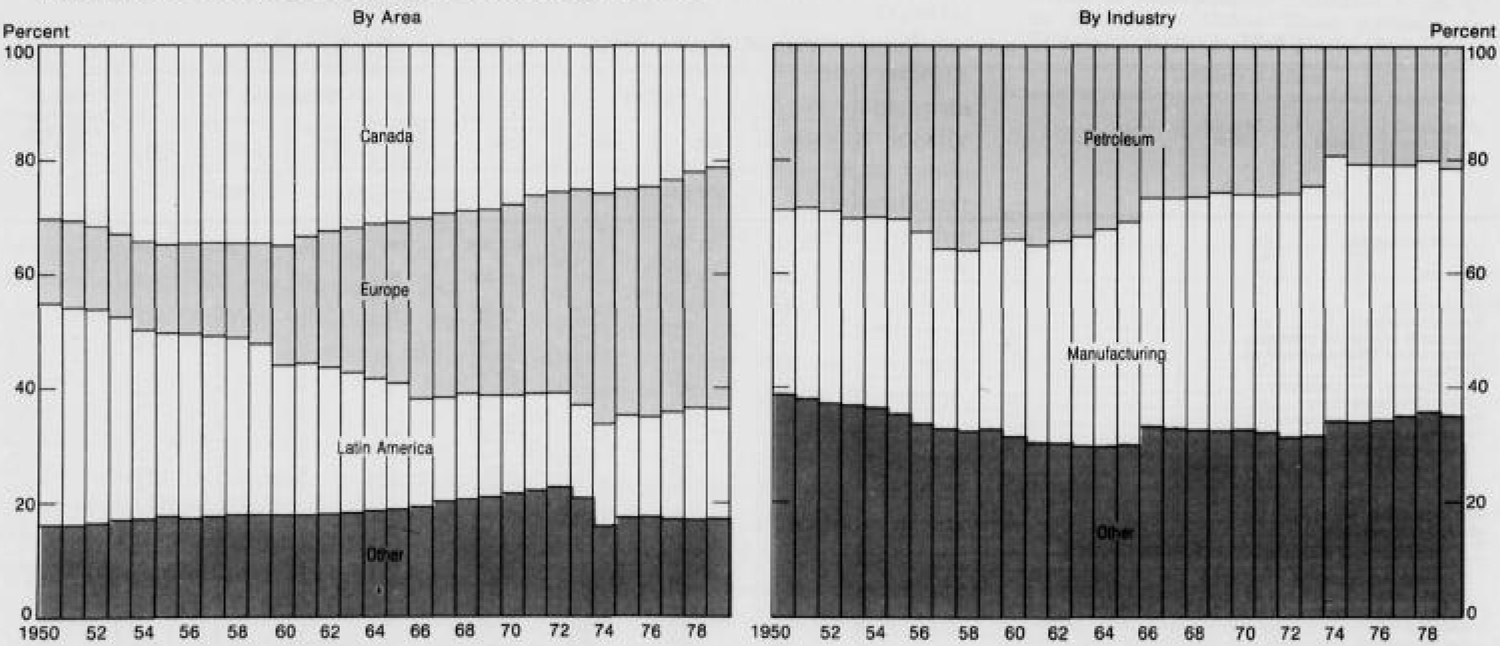
Before 1950, U.S. direct investment abroad tended to be made close to home, in part because expensive and inefficient transportation and communication made it difficult to operate enterprises from great distances. Canada, in particular, was viewed by U.S. direct investors as an extension of the domestic market. In addition, it was a location from which manufactured goods could be exported on preferential terms to members of the British Commonwealth. Pre-1950 investments also tended to be concentrated in public utilities, agriculture, and industries related to natural resources—such as mining and petroleum—from which it would be difficult to derive benefits through other means, such as by exporting. The agricultural and natural resources investments were made primarily to serve United States, rather than foreign, markets.

Many of the U.S. direct investments in Europe that had been made before World War II were destroyed during the war and had not been replaced by 1950. Incentives to replace these investments, and to make new ones, were weak until economic reconstruction was more complete and currency convertibility, which had been suspended during the War, began to be restored. Reconstruction provided larger markets—with associated economies of scale—for goods produced by foreign affiliates, and the economic infrastructure needed for efficient production and distribution. Moves towards currency convertibility ensured U.S. direct investors that income from, and capital invested in, foreign affiliates could be largely or wholly repatriated. Incentives to invest in Europe were further strengthened by the secular decline in the cost, and improvements in the quality, of long-distance transportation and communication facilities, and by the integration of several major economies into the European Economic Community.

Because Canada and Latin America were more nearly "saturated" with U.S. investments in 1950 than was Europe,

CHART 9

Distribution of U.S. Direct Investment Position Abroad, 1950-79



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in part because U.S. investments in these areas had not been destroyed during the War, there was less immediate potential for subsequent growth and development of U.S. investments in these areas. Moreover, Canada and Latin America had initial concentrations of U.S. investments in industries—such as public utilities and those related to natural resources—in which the issue of foreign control became especially sensitive. U.S. direct investors made a number of substantial disinvestments in these industries during 1950–79.

Petroleum

At yearend 1950, the position in petroleum was $3.4 billion. From then until 1979, it grew at an average annual rate of 9.0 percent; at yearend 1979, it was $41.6 billion. Growth rates in particular years varied widely, ranging from a 14-percent decline in 1974 to a 25-percent increase in 1956.

The position in petroleum grew at annual rates of 12.7 percent in developed countries, 4.2 percent in developing countries, and 6.4 percent in "international and unallocated." In developed countries, the position grew at annual rates of 11.2 percent in Canada, 13.9 percent in Europe, and 12.4 percent in "other" developed countries. In developing countries, the position grew at a 4.4-percent rate in Latin America and a 3.9-percent rate in "other" developing countries.

In *Canada*, growth was most rapid during 1950–57—at an average annual rate of 27.1 percent, compared with 7.4 percent during 1956–79. The position grew more rapidly in each of the years 1950–56 than in any subsequent year. Investments during 1950–56 were largely accounted for by equity and intercompany account outflows, which financed petroleum exploration and development, particularly in Western Canada, and construction of pipelines and refineries. As projects in Canada were completed during 1956–58, growth slowed to an annual rate of about 14 percent, and then dropped to 4.9 percent during 1958–69. Because substantial development had already taken place earlier, and because world petroleum supplies were ample, further major development was discouraged in the latter period.

The growth rate increased to 9.0 percent during 1969–79, entirely because of growth in reinvested earnings. In contrast to earlier periods, equity and intercompany account inflows were registered for 1970–79 as a whole, and for 6 of the 10 years in the period. The inflows reflected two factors—(1) a shift, affecting at least the years through 1976, in the sources of affiliates' external financing from funds from U.S. parents to foreign-source (i.e., non-U.S.) funds, and (2) sales of affiliates by U.S. parents in 1976 and 1978. Data for a sample of majority-owned foreign affiliates showed that during 1972–76, over 98 percent of affiliates' total external funds were from foreign sources; this was up sharply from 60 percent during 1966–71.[7] (Also, the proportion of external funds accounted for by foreign-source funds was higher in each of the years 1972–76 than in any of the years 1966–71.)

The sales of affiliates in 1976 and 1978 reflected, in addition to the particular objectives of individual companies, heightened Canadian interest in increasing domestic ownership and control of natural resource industries, and associated tax and regulatory policies—including export controls.

In *Europe*, the average annual rate of growth in the position in petroleum was 13.9 percent during 1950–79. Growth rates in individual years ranged from 4 percent in 1962 to 30 percent in 1956. For 1950–79 as a whole, an exceptionally high proportion of growth was financed by equity and intercompany account outflows. With the notable exception of 1979, reinvested earnings tended to be quite low; for most of the sixties, they were actually negative. Low or negative reinvested earnings reflected corporate earnings that were low or negative due to intercompany pricing practices; earnings were shifted from incorporated refining and marketing affiliates in oil-importing areas, primarily Europe, to crude-oil-producing affiliates in oil-exporting areas, primarily the Middle East. Tax considerations, some or all of which ceased to apply toward the late seventies, were the primary factors.

In addition to 1956, years in which growth in Europe was particularly rapid were 1951 (20 percent), 1957 (27 percent), 1960 (21 percent), 1961 (22 percent), 1973 (24 percent), and 1979 (23 percent). In all these years, except 1973 and 1979, major expansions in refinery capacity or development of distribution systems occurred. The largest increases in the position tended to be in the United Kingdom, which, throughout 1950–79, accounted for a larger share of the position in petroleum than any other European country.

In 1973, rapid growth in the position was attributable to sharp increases in crude oil prices, which resulted in increases in European affiliates' indebtedness to their U.S. parents for oil the parents had purchased in crude-oil-producing countries, primarily in the Middle East, and then resold to the European affiliates. The increases in indebtedness reflected both the higher value of transactions associated with the higher prices and a temporary lengthening of credit terms by U.S. parents on sales to their affiliates.

These same factors contributed to growth in 1974, when a second round of sharp increases in crude oil prices occurred. However, growth in 1974 was moderated by a transfer to newly formed Latin American finance affiliates of accounts receivable due U.S. parents from their European petroleum affiliates; the transfer caused the portion of the U.S. direct investment position represented by these receivables to be shifted, by means of offsetting equity and intercompany account flows, from Europe (in petroleum) to Latin America (in finance and insurance).

In 1975, crude oil prices stabilized, and affiliates were able to repay some of the debt they had incurred in 1973 and 1974. However, growth in the position in 1975 slowed only slightly from 1974 because of a sizable increase in outflows to the United Kingdom. The increase in

7. Ida May Mantel, "Sources and Uses of Funds of Majority-Owned Foreign Affiliates of U.S. Companies, 1972–76," U.S. Department of Commerce, Bureau of Economic Analysis Staff Paper No. 32 (May 1979).

outflows largely financed sharply higher spending, to a substantial extent induced by higher crude oil prices, for North Sea exploration and development. Outflows to finance such spending continued to be an important source of growth for the remainder of the period.

In 1979, rapid growth in the position was attributable to a sharp increase in reinvested earnings, which, in turn, was due to increases in both corporate earnings and the rate of reinvestment. The increase in earnings largely reflected increased profit margins of refining affiliates; margins rose as prices of refined products were bid up considerably above OPEC-set crude oil contract prices, in response to growing uncertainties about the future price and availability of crude oil. The reinvestment rate increased to help finance these affiliates' accumulation of inventories as a hedge against further price increases and possible supply disruptions.

In *Latin America*, the average annual rate of growth in the position was 4.4 percent. Growth occurred mainly during the fifties and early sixties: from 1950–61, the position grew almost 10 percent per year; from 1961–79, it grew 1.2 percent per year.

Growth was particularly strong in 4 years—1952, 1956, 1957, and 1961. In each year, it was concentrated in Venezuela, which, until the midseventies, accounted for a larger share of the position in petroleum than any other Latin American country. The most rapid growth in the position in Latin America was in 1956 and 1957, when there were large equity and intercompany account outflows to Venezuela to finance the acquisition of petroleum concessions. Growth in 1961 was mainly due to a valuation adjustment, which reflected a writeup in the book value of the fixed assets of a large Venezuelan affiliate.

During 1961–79, growth was depressed by two factors: (1) a large ($1.0 billion) negative valuation adjustment in 1966, associated with BEA benchmarking, and (2) a substantial decline, over several years, in the position in Venezuela. The growth in investments that did occur during this period was outside Venezuela—primarily in refining affiliates located on various Atlantic and Caribbean Islands; most of this growth took place in the seventies.

The position in Venezuela declined from $2.4 billion at yearend 1961 to $0.4 billion at yearend 1979. Declines were registered in 14 of the 18 years. One reason for the decline was that, during much of the period, affiliates' depreciation and depletion charges against existing capital exceeded their gross capital spending.[6] The excess provided funds that could be transferred to U.S. parents as equity and intercompany account inflows without impairing affiliate operations or requiring affiliates to borrow additional funds abroad. The disinvestment in net fixed assets, in turn, may have reflected a combination of political uncertainty and the availability of more attractive investment opportunities outside Venezuela. Political uncertainty was generated by rising taxes; by the refusal of the government to grant new concessions to foreign-owned companies; and by announcement of the intention to force the return of existing concessions to the government well in advance of takeover dates.

In some individual years during 1961–79, there were additional reasons for the declines in the position in Venezuela. The decline in 1966 was largely attributable to BEA benchmarking. In 1973 and 1974, declines were associated with sharp increases in crude oil prices, which increased trade accounts receivable that affiliates held against their U.S. parents for oil the latter had purchased, but for which payment had not been made. Finally, the large decline in 1976 reflected equity and intercompany account inflows from compensation paid to U.S. parents by the Venezuelan Government for affiliate assets it had nationalized. (Following the nationalization of the assets, some affiliates remained in Venezuela to purchase petroleum or to sell technical services.)

In *"other" developing countries*, where affiliates were engaged primarily in crude oil production and, to a lesser extent, in the purchase of crude oil from state-owned enterprises, the position grew 3.9 percent per year. It grew an average of 7.7 percent per year from 1950 to 1972, when it peaked at $4.4 billion. In 1973, it declined and, in 1974–76, was actually negative. It turned positive again in 1977 and, in 1979, reached $2.7 billion—still considerably below the 1972 peak.

Before 1973, funds supplied by U.S. parents to finance oil-producing assets largely determined the change in the position. Crude oil was produced by affiliates with little direct participation by host governments or their enterprises, crude oil prices were relatively low, and accounts receivable were comparatively unimportant. The position increased in every year from 1950 to 1972, except 1966, when a downward adjustment was made as a result of BEA benchmarking.

Beginning in 1973, the position in "other" developing countries was lowered or made negative by two related developments. First, a few host governments either nationalized the producing assets of affiliates, thus changing the status of the affiliates to trade and service companies, or purchased fractional equity interests in the affiliates' producing assets. Compensation or other proceeds from these transactions generally were returned to the U.S. parents, thereby lowering their direct investment positions. Second, and probably more importantly, crude oil prices rose sharply; this increased trade accounts receivable that the affiliates held against their U.S. parents or transferred to their parents for collection.

The increase in receivables was largest in the Middle East, where the position shifted to a negative value in 1973 and remained negative for the rest of the period. In 1973 and 1974, the effect of increased prices apparently was reinforced by a temporary extension of credit terms that allowed additional time for the higher priced oil to work its way through the distribution system before the receivables were required to be settled. As prices stabilized, and customary credit terms were reinstated, the position in "other" developing countries

6. This was evidenced by data for a sample of majority-owned affiliates. For these affiliates, depreciation and depletion charges exceeded capital spending during 8 of the 11 years 1966–76 for which data are available; the cumulative difference over the entire period was about $0.6 billion.

increased somewhat, but remained negative until 1977 due to the higher level of receivables associated with higher prices. In 1979, credit terms were shortened significantly, thus lowering the level of receivables and sharply increasing the position.

During the years before 1973, the geographical composition of the position within "other" developing countries changed markedly. Until the mid-fifties, over three-fourths of the position in these countries was in Middle East countries other than Iran. The share of these countries declined steadily for the remainder of the period—by 1972, it was only 15 percent—while the share of other areas, most notably Africa, increased. By 1972, Africa accounted for nearly one-half of the position in "other" developing countries. Beginning in 1973, discussion of the composition of the position is complicated by the shift to a negative position in the Middle East.

Throughout most of 1950–79, equity and intercompany account outflows were a much more important source of change in the position in "other" developing countries than were reinvested earnings of incorporated affiliates. The importance of the former primarily reflected the prevalance of unincorporated affiliates, whose unremitted earnings are included in equity and intercompany account outflows, in crude-oil-producing areas. To a lesser extent, it reflected a low rate of reinvestment by incorporated affiliates, except in 1975, when temporary exchange restrictions caused postponement, to early 1976, of a major dividend payment by an affiliate in the Far East. This increased both reinvested earnings and the position in 1975, but reduced them by an equivalent amount in 1976.

Manufacturing

At yearend 1950, the position in manufacturing was $3.8 billion; at yearend 1979, it was $83.6 billion. The average annual growth rate was 11.2 percent, and growth for individual years ranged from a 6-percent increase in the 1957 BEA benchmark year to a 16-percent increase in 1973, when the position apparently was boosted by reinvestment of inflation-induced inventory profits. Throughout the period, the bulk of the position was in developed countries; the share of these countries ranged from about three-fourths to five-sixths of the total.

The position in manufacturing grew at similar average annual rates in developed and developing countries—11.3 and 10.7 percent, respectively. In developed countries, the position grew at annual rates of 8.3 percent in Canada, 14.0 percent in Europe, and 13.9 percent in "other" developed countries. In developing countries, the rates were 10.2 percent in Latin America and 14.0 percent in "other" developing countries.

Data on the position in individual industries within manufacturing are available for the benchmark years 1950, 1957, and 1966, and for each year from 1967 forward. Data for 1950, 1957, 1966, and 1979—the most recent year for which data are available—are shown in table 4. Of the industries shown separately, the positions in three—chemicals, machinery, and transportation equipment—grew more rapidly from 1950 to 1979 than the position in total manufacturing. The above-average growth in chemicals and machinery was partly attributable to investment in subindustries, such as petrochemical and computer manufacturing, that have been characterized by high rates of technological innovation. At yearend 1979, the position in chemicals and machinery accounted for about one-half of the position in manufacturing, compared with a little over one-third at yearend 1950.

By area, the average annual rate of growth in manufacturing was lowest in *Canada*—8.3 percent. The rates for Canada in individual years ranged from a 6-percent decline in the BEA benchmark year 1966 to a 15-percent increase in 1952, when direct investment capital outflows increased sharply, partly to finance construction of hydroelectric power-generating and other facilities to expand the productive capacity of aluminum-manufacturing affiliates.

Throughout 1950–79, growth in the position in Canada tended to be financed out of reinvested earnings. Equity and intercompany account outflows exceeded reinvested earnings in only 4 years, and in 2 of those years, the difference was slight. This pattern may have reflected the fact that Canadian affiliates are older, on average, than affiliates elsewhere, and over time have developed the capacity to finance growth primarily out of internally generated funds.[9] The relatively slow growth of investments also may have reduced the needs of affiliates for large infusions of funds from U.S. parents.

In *Europe*, the growth rate, at 14.0 percent, was the highest among major areas except "other" developing countries, where the position was much smaller. Europe has accounted for the largest share of the position in manufacturing since 1964, when it surpassed Canada. By yearend 1979, Europe's share was nearly 50 percent.

Except for two years—1960 and 1975—growth in Europe ranged from 10 to 19 percent. In 1960, growth was unusually rapid—29 percent—because of a large equity and intercompany account outflow to acquire additional equity in a United Kingdom automotive affiliate. In 1975, growth was relatively slow—8 percent—largely due to poor business conditions. Earnings of incorporated affiliates fell in that year, thereby reducing the funds available for reinvestment. Moreover, data for a sample of majority-owned foreign affiliates indicate liquidation of inventories and, to a much lesser extent, short-term accounts receivable from persons other than U.S. parents; this liquidation reduced the affiliates' need for funds from U.S. parents (as well as from other sources).[10]

9. Data on age of affiliate, measured by the number of years that the U.S. parent owned the affiliate, are presented for a sample of foreign manufacturing affiliates of U.S. manufacturing parents in L. A. Lupo, Arnold Gilbert, and Michael Liliestedt, "The Relationship Between Age and Rate of Return of Foreign Manufacturing Affiliates of U.S. Manufacturing Parent Companies," SURVEY OF CURRENT BUSINESS, Vol. 58 (August 1978), p. 62, table 3. The table shows that in 1966, 60 percent of the Canadian affiliates were at least 10 years old, compared with 40 percent of European affiliates, 46 percent of affiliates in other developed countries, and 42 percent of affiliates in developing countries. The percentage of total affiliate assets accounted for by these older affiliates was 88 percent in Canada, compared with about 70 percent in the three remaining areas (table 2, p. 61).

10. Mantel, "Sources and Uses of Funds," p. 37.

Within Europe, the geographical composition of the position in manufacturing changed significantly during 1950–79. In 1950, 58 percent of the position was in the United Kingdom, 34 percent in the 6 countries—Belgium, France, Germany, Italy, Luxembourg, and the Netherlands—that were to comprise the original European Economic Community, and 8 percent in other European countries. The shares of these areas remained about the same until the mid-to-late fifties, when the share of the United Kingdom began to decline and that of the European Economic Community—which beginning in 1967 became known as the European Communities (6)—began to rise; somewhat later, the share of other European countries also began to rise.[11] These changes in composition continued with few interruptions until about the midseventies, when the composition again stabilized. At yearend 1979, 29 percent of the position was in the United Kingdom, 55 percent in the European Communities (6), and 16 percent in other European countries.

One reason for the shift in distribution from the United Kingdom to countries in the European Communities (6) was the creation of the European Economic Community in 1958 through the Treaty of Rome, which had been signed in the previous year. The major features of the Community were (1) the gradual reduction in, and eventual elimination of, barriers to movements of goods and factors of production among member countries, and (2) the adoption of common external tariffs. The most important feature, from the standpoint of direct investment, was probably the elimination of internal tariffs.[12] Some U.S. manufacturers that had been serving markets in the Community through U.S. exports found it necessary to produce in the Community in order to compete with local firms in third-country markets within the Community. Also, to the extent that the arrangements associated with the Community increased economic growth and efficiency in the member countries, general market expansion may have created additional investment opportunities. Finally, the ability to export duty free within the Community raised the advantages to direct investors of choosing member countries, rather than the United Kingdom or other outside countries, as a locus of production from which to serve Europe as a whole; as a result, investment was probably diverted from nonmember to member countries.

Table 5.—Average Annual Rates of Growth in U.S. Direct Investment Position in European Manufacturing Affiliates

[Percent]

	Total	United Kingdom	European Communities (6)	Other
Entire 1950–79 period	14.0	11.3	15.9	10.8
Period up to European Economic Community's formation (1950–58)	12.6	12.3	15.0	8.7
Periods following formation:				
5 years (1958–63)	17.6	15.0	21.1	30.0
10 years (1958–68)	16.0	11.8	18.7	25.6
21 years (1958–79)	14.3	10.0	16.2	20.0
Period following United Kingdom entry into the European Communities (1973–79)	12.1	10.5	11.9	10.4

Table 5 shows growth in the position in the United Kingdom, the European Communities (6), and "other" Europe in the entire period 1950–79; the period 1950–58 before the Community's formation; three periods—1958–63, 1958–68, and 1958–79—following its formation; and the period 1973–79, following the United Kingdom's entry into the Communities. The figures suggest that the formation of the Community stimulated investment in the member countries and diverted investment from the United Kingdom. The position in the European Communities (6) grew more rapidly in each period following formation than it did before formation. In contrast, growth in the United Kingdom was more rapid than before the Community's formation only in the first period following formation, and then only because of the previously mentioned transaction in 1960 involving an automotive affiliate. The differential in growth rates between the United Kingdom and the European Communities (6) narrowed considerably during 1973–79, when the United Kingdom (along with Denmark and Ireland) was included in an expanded 9-member European Communities.

Other factors also may have contributed to the shift in distribution. Partly because of the absence of language and cultural barriers, large-scale investment by U.S. direct investors had been channeled earlier to the United Kingdom than to continental Europe; thus, following a period of postwar reconstruction, investment in the United Kingdom had less potential for subsequent growth and development. Also, economic growth after 1958 tended to be slower in the United Kingdom than in the European Communities (6), partly for reasons unrelated to the Community's formation. This may have discouraged investment in the United Kingdom relative to that in the European Communities (6).

Growth in the position in manufacturing in "other" European countries (table 5) increased sharply after 1957, although from a relatively small base. Contributing to the increase were economic expansion in several countries in the area, increasing familiarity of U.S. direct investors with the area as a byproduct of investments elsewhere in Europe, and, possibly, the formation of the European Free Trade Association (EFTA) in 1960. In addition, some of the increase in 1966 represented a break in series attributable to BEA benchmark revisions.

The EFTA included six of the "other" European countries, together with the United Kingdom. For several reasons, it probably had less important effects on trade and investment than the European Communities (6). First, by providing only for the eventual elimination of internal tariffs, but not for common external tariffs or increased mobility of factors of production, it represented a lesser degree of integra-

11. The change in terminology resulted from an administrative merger with other organizations. The European Communities (6) includes, in addition to the 6 original member countries of the European Economic Community, the European Atomic Energy Community, the European Coal and Steel Community, and the European Investment Bank. The organization became known as the European Communities (9) in 1973, when Denmark, Ireland, and the United Kingdom joined the Communities.

12. The common external tariff may have had an effect on investment in individual countries and industries. However, because it was to be based on an average of previous tariff rates in individual countries, its overall effect on direct investment is unclear.

tion. Second, with a population only about one-half that of the European Communities (6), it provided a much smaller internal market. (Over one-half of the population within the EFTA was, in turn, accounted for by the United Kingdom.) Third, longer distances and other natural barriers, such as bodies of water and mountain ranges, provided greater obstacles to trade in the EFTA than in the European Communities (6). Finally, the EFTA's continued existence was threatened by the possibility that some of its members would eventually leave it to join the Euopean Communities, as the United Kingdom and Denmark in fact did in 1973.

In *"other" developed countries*, the average annual rate of growth was 14.0 percent. Rates in individual years ranged from 29 percent in 1951 to 4 percent in 1975. The rapid growth in 1951 was from a very small (less than $0.2 billion) base. The slow growth in 1975 was, as in the case of Europe, attributable to poor business conditions. Earnings of incorporated affiliates declined, reducing the funds available for reinvestment; also, liquidation of inventories and receivables moderated affiliates' need for equity and intercompany account outflows from U.S. parents.

During 1950–79, the share of the "other" developed countries accounted for by Japan increased sharply, while the shares of the remaining countries declined. At yearend 1950, 3 percent of the position was in Japan, 63 percent in Australia, 6 percent in New Zealand, and 28 percent in South Africa. At yearend 1979, 40 percent of the position was in Japan, 46 percent in Australia, 2 percent in New Zealand, and 12 percent in South Africa.

The position in Japan grew very rapidly—at an average annual rate of 24.3 percent—during 1950–79, and Japan's share increased during almost all of the period. (Corresponding declines in shares tended to be largely in South Africa during the fifties and early sixties, and largely in Australia thereafter.) The growth in the position in Japan throughout most of the period reflected very rapid growth of the Japanese economy. Growth in the position during 1963–66 may have also reflected a relaxation of exchange restrictions, while growth in subsequent years reflected several rounds of liberalization of restrictions, beginning in 1967 and continuing through the midseventies, on inward direct investment. Despite the rapid growth, the position in Japan has remained small in relation to the size of the Japanese economy and the importance of its manufacturing sector. This may reflect remaining restrictive elements of Japanese policies.

In *Latin America*, the position in manufacturing grew at an average annual rate of 10.2 percent during 1950–79. Rates of change ranged from a 26-percent increase in 1951 to a 16-percent decline in 1957. The 1957 decline was entirely due to a break in series from BEA benchmarking. It was concentrated in two countries—Argentina and Brazil—that had experienced extremely high rates of inflation, accompanied by periodic large depreciations of their currencies against the U.S. dollar. Between benchmark surveys, the estimated dollar value of investment in affiliates' net current assets in these countries that were denominated in local currencies was not adjusted downward to allow for the depreciations. In the 1957 benchmark survey, however, the investments were revalued at the prevailing (lower) exchange rates, thus eliminating the overstatement that had arisen in nonbenchmark years. Although in 1966—the next benchmark year—the position for Latin America as a whole increased, significant downward revisions were again made for Argentina and Brazil, both of which continued to experience high rates of inflation and currency depreciation.[13]

13. In 1976, new rules for translating affiliate financial statements from foreign currencies into U.S. dollars went into effect (see Financial Accounting Standards Board Statement No. 8). Under these rules, when exchange rate changes reduce (increase) the dollar value of certain specified balance-sheet items, including net current assets, that are denominated in local currencies, income is also reduced (increased); the position is affected on an ongoing basis through reductions (increases) in reinvested earnings of incorporated affiliates and equity and intercompany account outflows to unincorporated affiliates. Thus, in nonbenchmark years, overstatement of additions to the position in countries such as Argentina and Brazil should be largely eliminated in estimates for 1976 forward, and overstatement of the position itself should be largely eliminated once the series for 1977 forward has been linked to the 1977 benchmark survey.

Much of U.S. direct investment in Latin American manufacturing industries probably was undertaken in response to numerous restrictions on foreign trade and foreign exchange transactions in several of the larger countries. These restrictions were designed to induce the substitution of domestic production for imports, and they increased the profitability of serving markets in these countries through direct investment, rather than through exports. Automobile manufacturing affiliates, for example, were established in several of the larger countries, even though economies of scale might have been exploited more effectively through more centralized production within Latin America or through exports from the United States.

Throughout 1950–79, the position in Latin America was concentrated in four

(Text continued on page 54)

Table 6.—U.S. Direct Investment Position Abroad, 1957 and 1966: Comparisons of Series Based on 1950, 1957, and 1966 Benchmark Surveys

[Millions of dollars]

	1957		1966	
	1950 basis	1957 basis	1957 basis	1966 basis
All areas	25,278	25,394	44,799	51,792
Petroleum	9,106	9,055	15,222	13,893
Manufacturing	8,414	8,009	22,078	20,740
Other	8,768	8,331	16,499	17,160
Developed countries	14,192	14,038	29,661	35,290
Petroleum	(D)	3,601	8,588	7,661
Manufacturing	6,695	6,801	18,237	17,214
Other	(D)	3,737	9,836	10,415
Canada	8,870	8,769	17,017	15,712
Petroleum	2,004	2,016	3,608	2,171
Manufacturing	3,890	3,924	7,692	6,697
Other	2,979	2,829	5,717	5,845
Europe	4,182	4,151	10,213	16,390
Petroleum	1,319	1,259	4,003	3,627
Manufacturing	2,239	2,195	2,879	8,906
Other	694	702	3,351	3,868
Other	1,090	1,119	3,411	3,187
Petroleum	(D)	421	977	908
Manufacturing	470	472	1,690	1,011
Other	(D)	225	795	712
Developing countries	11,092	10,315	[1]13,738	13,866
Petroleum	(D)	4,715	[1]7,634	5,061
Manufacturing	1,537	1,418	3,842	3,625
Other	(D)	4,182	[1]4,082	4,390
Latin America	8,764	8,052	11,408	9,752
Petroleum	3,118	2,907	3,475	2,465
Manufacturing	1,650	1,290	3,318	3,972
Other	3,998	3,776	4,705	4,323
Other	2,320	2,263	[1]6,640	4,114
Petroleum	(D)	1,738	[1]4,169	2,605
Manufacturing	167	138	624	552
Other	(D)	407	[1]1,857	957
International and unallocated	1,974	1,941	(2)	2,635

D Suppressed to avoid disclosure of data for individual companies.
1. Includes "international and unallocated."
2. Included in "other" developing countries.

Table 7.—U.S. Direct Investment

Line		1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
		Millions											
1	All areas	11,788	12,979	14,721	16,253	17,631	19,395	22,505	25,394	27,409	29,827	31,865	34,717
2	Petroleum	3,390	3,687	4,273	4,914	5,287	5,898	7,355	9,065	9,822	10,424	10,810	12,190
3	Manufacturing	3,831	4,348	4,987	5,340	5,888	6,632	7,561	8,009	8,673	9,707	11,051	11,997
4	Other	4,567	4,944	5,461	5,998	6,454	6,873	7,589	8,321	8,914	9,735	10,004	10,530
5	Developed countries	5,696	6,447	7,405	8,395	9,443	10,690	12,375	14,038	15,249	16,941	18,379	20,978
6	Petroleum	980	1,258	1,506	1,806	2,104	2,488	3,119	3,691	4,043	4,374	4,928	5,571
7	Manufacturing	2,984	3,284	3,727	4,112	4,567	5,151	5,898	6,591	7,178	8,106	9,323	10,085
8	Other	1,731	1,909	2,174	2,475	2,773	3,047	3,358	3,757	4,029	4,472	5,070	5,336
9	Canada	3,579	3,969	4,641	5,240	5,943	6,761	7,795	8,769	9,470	10,310	11,179	11,602
10	Petroleum	418	569	718	941	1,165	1,381	1,759	2,018	2,293	2,457	2,664	2,828
11	Manufacturing	1,897	2,009	2,303	2,549	2,777	3,098	3,529	3,924	4,164	4,585	4,827	5,076
12	Other	1,264	1,397	1,618	1,750	2,101	2,287	2,511	2,829	3,013	3,278	3,688	3,698
13	Europe	1,733	1,969	2,145	2,376	2,639	3,002	3,561	4,151	4,573	5,323	6,691	7,742
14	Petroleum	426	512	532	609	668	762	990	1,259	1,330	1,452	1,763	2,152
15	Manufacturing	932	1,074	1,184	1,310	1,478	1,685	1,952	2,195	2,475	2,947	3,804	4,255
16	Other	374	408	427	456	487	555	619	708	779	924	1,124	1,336
17	Other	384	490	614	671	757	923	1,019	1,118	1,207	1,328	1,449	1,634
18	Petroleum	137	189	255	259	271	345	371	431	430	465	499	591
19	Manufacturing	156	201	230	262	312	373	420	473	539	593	692	738
20	Other	92	100	129	150	175	205	228	225	238	269	258	304
21	Developing countries	5,738	6,148	6,899	7,369	7,620	8,043	9,326	10,315	10,971	11,518	11,128	12,254
22	Petroleum	2,169	2,163	2,466	2,788	2,796	2,944	3,676	4,714	5,028	5,039	5,033	5,751
23	Manufacturing	847	1,064	1,239	1,228	1,332	1,472	1,663	1,419	1,405	1,572	1,737	1,929
24	Other	2,720	2,919	3,175	3,378	3,492	3,627	3,988	4,183	4,448	4,907	4,357	4,574
25	Latin America	4,577	4,948	5,514	5,774	5,929	6,242	7,298	8,063	8,490	8,887	8,365	9,239
26	Petroleum	1,303	1,294	1,455	1,564	1,539	1,622	2,197	2,907	3,162	3,208	3,122	3,674
27	Manufacturing	781	982	1,153	1,134	1,223	1,363	1,531	1,380	1,334	1,417	1,521	1,707
28	Other	2,493	2,672	2,906	3,066	3,168	3,256	3,570	3,775	3,993	4,262	3,722	3,858
29	Other	1,160	1,197	1,360	1,596	1,690	1,802	2,029	2,263	2,503	2,631	2,762	3,015
30	Petroleum	866	868	1,011	1,209	1,257	1,322	1,478	1,738	1,870	1,831	1,912	2,077
31	Manufacturing	66	82	84	94	100	118	133	138	141	155	206	223
32	Other	228	247	209	293	334	361	417	407	485	645	644	716
33	International and unallocated	358	387	415	488	567	658	803	1,041	1,188	1,357	1,408	1,465
		Percent change from											
34	All areas		10	13	10	8	10	16	13	8	9	7	9
35	Petroleum		9	16	15	8	11	25	23	8	6	5	13
36	Manufacturing		13	14	7	10	12	14	6	8	12	14	9
37	Other		8	11	10	7	7	10	10	7	10	3	5
38	Developed countries		13	15	13	12	13	16	13	9	11	14	9
39	Petroleum		28	20	20	16	18	25	18	10	8	12	13
40	Manufacturing		10	14	10	11	13	15	12	9	13	15	8
41	Other		10	14	14	12	10	10	12	7	11	13	5
42	Canada		11	17	13	13	12	15	12	8	9	8	4
43	Petroleum		36	28	31	24	18	27	15	14	7	8	6
44	Manufacturing		6	15	10	9	11	14	11	6	10	5	5
45	Other		11	16	15	13	9	10	13	6	9	13	(*)
46	Europe		16	9	10	11	14	19	17	10	16	26	16
47	Petroleum		20	4	14	10	14	30	27	5	9	21	22
48	Manufacturing		16	11	10	13	14	16	13	13	19	29	12
49	Other		8	6	7	8	12	12	13	11	19	22	19
50	Other		27	25	9	13	22	10	10	8	10	9	13
51	Petroleum		34	40	1	5	28	7	14	2	8	7	18
52	Manufacturing		30	14	14	19	20	13	12	14	10	17	7
53	Other		16	22	17	16	17	11	−1	6	13	−4	18
54	Developing countries		7	12	7	3	6	16	11	6	5	−3	10
55	Petroleum		(*)	14	13	1	5	25	28	7	1	−1	14
56	Manufacturing		26	16	−1	8	11	13	−15	6	7	5	12
57	Other		7	9	6	3	4	10	5	6	8	−9	5
58	Latin America		8	11	5	3	5	17	10	5	6	−6	10
59	Petroleum		−1	12	7	−1	5	35	32	5	2	−3	18
60	Manufacturing		26	17	−2	8	11	13	−15	4	6	7	12
61	Other		7	9	6	3	3	10	6	5	7	−13	4
62	Other		3	14	17	6	7	13	12	11	6	5	9
63	Petroleum		(*)	16	20	4	5	12	18	9	1	1	9
64	Manufacturing		25	0	0	10	18	12	4	18	15	31	8
65	Other		9	0	0	11	11	15	−2	14	17	18	11
66	International and unallocated		8	12	13	16	17	22	30	14	14	4	4

*Less than 0.5 percent (±).
1. Percent change not defined because of negative position in current year, previous year, or both.

Position Abroad, 1950–79

1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Line
of dollars																		
37,276	40,736	44,480	49,474	51,792	56,583	61,907	68,093	75,480	82,760	89,878	101,313	110,078	124,050	136,809	146,846	167,804	192,648	1
12,725	13,652	14,828	15,298	16,818	18,105	16,874	17,012	19,754	21,794	23,365	24,951	21,418	26,072	29,775	31,420	33,790	41,503	2
13,280	14,937	16,985	19,339	20,740	22,503	25,100	28,332	31,090	34,350	38,325	44,370	51,172	55,808	61,101	[illegible]	74,090	83,564	3
11,300	12,147	13,217	14,837	17,160	18,501	20,174	22,149	24,677	26,607	28,188	31,993	37,488	42,192	45,873	52,393	59,924	67,531	4
23,974	25,638	28,027	32,213	35,290	38,796	42,088	46,458	51,819	56,950	62,460	73,214	83,898	90,695	100,384	108,228	120,471	137,927	5
5,048	4,607	7,203	7,721	7,061	8,493	9,159	9,850	11,285	12,564	13,542	18,911	18,294	20,129	22,912	24,851	28,571	31,821	6
11,080	12,493	14,645	15,939	17,814	19,012	20,721	23,288	25,873	28,220	31,558	38,450	41,973	45,427	49,798	53,709	59,558	67,388	7
5,974	6,520	7,229	8,653	10,415	11,302	12,208	13,312	15,063	16,086	16,959	19,753	22,719	25,130	27,625	29,665	32,762	38,741	8
12,133	13,044	13,865	15,319	16,713	18,789	17,952	19,538	21,015	21,818	22,065	25,541	26,404	31,038	33,838	35,200	37,071	41,033	9
2,975	3,134	3,106	3,256	3,171	3,272	3,625	3,881	4,337	4,643	4,754	5,320	5,781	6,220	7,119	7,660	8,240	9,155	10
5,213	5,761	6,196	6,872	6,687	7,060	7,635	8,404	8,971	9,504	10,490	11,785	13,450	14,691	15,965	16,686	17,477	19,237	11
3,947	4,149	4,451	5,090	5,845	6,272	6,792	7,293	7,708	7,671	7,730	8,467	9,228	10,126	10,754	10,844	11,347	12,528	12
8,930	10,340	12,129	13,985	16,200	18,221	19,951	22,240	25,255	28,554	31,098	38,256	44,663	49,405	55,139	60,930	69,883	81,463	13
2,338	2,776	2,132	3,427	3,637	4,158	4,434	4,736	5,451	6,247	6,672	8,834	9,830	11,168	12,728	13,847	15,122	18,533	14
4,893	5,634	6,637	7,606	8,906	9,867	10,040	12,272	13,819	15,628	17,629	20,777	23,990	25,418	28,768	31,873	35,304	41,245	15
1,693	1,930	2,420	2,961	3,858	4,206	4,478	5,118	5,985	6,779	7,298	8,654	-10,893	12,127	13,625	15,211	18,127	21,602	16
1,942	2,254	2,652	3,030	3,137	3,774	4,284	4,834	5,540	6,470	7,378	8,417	9,530	10,352	11,327	13,095	13,947	15,431	17
682	786	834	957	863	963	1,100	1,222	1,387	1,634	1,908	2,066	2,542	2,744	3,060	3,244	3,503	4,098	18
965	1,026	1,280	1,461	1,641	1,834	2,247	2,509	2,783	3,190	3,536	4,019	4,533	4,720	6,013	6,342	6,270	6,882	19
365	442	538	612	712	834	938	1,102	1,370	1,636	1,934	2,332	2,604	2,890	2,246	3,310	4,259	4,451	20
12,683	14,306	13,969	15,176	13,066	14,066	16,497	17,637	19,182	20,719	22,374	22,664	19,848	28,288	29,311	34,462	40,399	47,841	21
5,915	5,007	3,063	6,476	5,051	5,299	6,852	6,032	6,644	7,027	7,878	8,674	−300	2,519	2,490	3,620	4,361	7,231	22
3,102	2,516	2,800	3,400	3,325	3,801	4,430	5,047	5,477	6,038	6,767	7,828	9,200	10,459	11,295	12,324	14,223	16,198	23
4,647	4,881	6,006	5,300	5,290	5,720	6,204	6,548	7,072	7,654	8,130	6,010	11,036	18,310	16,227	18,018	21,816	24,412	24
9,524	9,041	10,258	10,885	9,782	10,200	11,342	12,039	12,961	14,013	14,897	14,484	19,827	22,157	23,924	28,110	32,662	34,834	25
2,842	2,636	3,380	3,648	2,436	3,301	2,551	2,833	2,703	2,939	2,979	3,043	3,564	3,324	2,932	3,489	3,803	4,588	26
1,044	2,212	2,507	2,944	2,073	3,239	3,723	4,262	4,641	4,995	5,620	6,456	7,541	8,559	9,275	10,063	11,712	12,220	27
3,039	4,092	4,150	4,295	4,323	4,661	4,968	5,304	5,717	6,080	6,297	6,984	8,422	10,251	11,727	14,557	17,069	19,048	28
3,129	3,434	3,765	4,201	4,114	4,615	5,164	5,887	6,232	6,706	7,477	6,490	331	4,121	5,379	6,253	7,737	11,007	29
3,174	3,333	2,475	2,931	2,595	2,698	3,390	3,490	3,941	4,088	4,397	3,080	−3,254	−915	−242	81	460	2,663	30
245	304	363	455	582	653	716	845	936	1,044	1,147	1,363	1,658	1,846	2,120	2,261	2,511	2,979	31
700	789	847	905	967	1,064	1,138	1,244	1,354	1,574	1,893	2,027	2,616	3,029	3,801	4,061	4,767	5,356	32
1,647	1,733	1,888	1,985	2,436	2,947	3,322	3,800	4,440	5,091	5,846	6,784	7,335	7,067	7,102	7,140	6,994	4,889	33
previous year																		
7	9	9	11	5	9	9	10	11	10	9	13	9	13	10	10	12	15	34
4	7	6	7	−9	9	9	6	12	10	7	7	−14	21	11	9	8	23	35
10	13	13	14	7	10	10	13	10	11	12	15	15	9	9	8	13	13	36
7	7	9	12	16	8	9	10	11	8	6	14	17	13	11	12	14	13	37
10	12	12	13	9	10	9	11	11	10	9	18	15	9	11	8	11	14	38
7	19	8	7	−1	11	8	8	14	12	8	17	14	11	14	8	9	11	39
10	19	13	13	8	10	10	12	10	11	11	16	15	8	10	6	11	13	40
12	9	13	17	20	9	6	11	11	7	6	16	15	11	10	7	14	15	41
5	8	4	11	3	8	7	9	7	4	5	11	11	8	8	4	5	11	42
2	8	2	5	−4	8	8	7	13	7	3	12	8	9	14	8	5	11	43
5	6	3	11	−4	5	7	12	7	6	10	12	14	8	9	5	5	10	44
7	8	3	14	15	7	8	7	6	(*)	1	10	9	18	6	1	5	11	45
15	16	17	14	17	11	9	12	14	18	11	21	17	10	13	11	14	17	46
11	16	13	10	6	16	7	7	16	14	10	24	15	14	14	19	8	23	47
16	16	17	15	17	11	11	13	12	13	12	19	16	8	11	18	15	14	48
24	16	25	22	31	9	8	14	16	18	8	23	21	13	13	13	18	20	49
17	18	18	18	6	18	14	13	16	17	14	14	17	5	9	7	14	11	50
15	15	12	6	−9	13	14	11	12	10	16	8	23	4	13	8	6	17	51
17	19	28	18	19	23	13	12	11	15	11	14	13	4	8	7	14	13	52
20	21	16	20	14	18	14	17	25	19	18	21	14	8	12	8	22	4	53
3	4	4	5	−9	7	11	7	8	8	8	3	−13	43	12	30	17	18	54
1	3	2	7	−22	5	11	3	10	6	5	−18	(1)	(1)	7	31	24	66	55
14	15	15	18	4	10	14	14	9	10	12	10	18	14	8	6	15	14	56
3	6	3	6	(*)	8	8	6	8	8	6	11	28	21	14	22	17	13	57
3	4	3	6	−10	6	10	6	8	8	4	11	18	14	8	17	10	13	58
−1	(*)	−1	−1	−61	−3	7	−1	7	9	1	2	17	−7	−12	10	12	17	59
14	14	13	17	1	8	15	13	8	10	12	15	17	14	8	8	10	13	60
2	4	3	6	−2	8	9	5	8	6	4	11	21	23	14	24	17	13	61
4	9	8	16	−4	12	12	8	12	8	10	−13	−89	1,100	31	18	22	42	62
5	7	6	18	−11	13	14	6	13	4	6	−21	(1)	(1)	(1)	(1)	1,428	468	63
11	22	26	10	21	18	10	10	11	13	10	19	33	14	12	7	11	18	64
−1	11	7	7	7	10	7	9	9	16	18	11	29	16	16	10	37	13	65
11	5	9	5	33	13	13	16	17	14	9	13	10	−4	5	(*)	−3	−1	66

Table 8.—Equity and Intercompany

(Millions

Line		1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
1	All areas	631	568	651	735	667	830	1,961	3,442	1,181	1,373	1,676	1,671
2	Petroleum	248	85	254	415	286	302	1,173	1,409	640	410	453	763
3	Manufacturing	102	202	228	−27	148	224	390	423	280	466	801	482
4	Other	181	212	370	340	233	207	388	605	263	404	423	344
5	Developed countries	483	362	560	450	490	538	1,116	956	427	933	1,454	1,145
6	Petroleum	235	200	170	208	218	278	648	303	282	287	411	541
7	Manufacturing	136	77	164	44	114	152	283	381	192	464	667	378
8	Other	112	84	186	180	140	148	184	272	144	281	376	226
9	Canada	287	235	438	404	408	353	581	678	421	417	451	302
10	Petroleum	122	125	133	185	194	161	302	350	237	114	135	100
11	Manufacturing	88	30	135	45	73	84	147	184	72	148	29	117
12	Other	77	71	170	173	141	106	150	244	113	167	287	85
13	Europe	121	64	−6	48	45	130	468	287	190	484	962	735
14	Petroleum	73	37	−34	33	20	54	349	135	67	150	273	378
15	Manufacturing	32	21	11	−1	31	53	128	121	92	244	607	333
16	Other	16	6	6	16	−6	23	21	31	31	90	83	116
17	Other	55	63	84	−3	27	85	27	−8	16	31	41	110
18	Petroleum	30	38	69	−13	4	65	4	−23	−12	2	3	65
19	Manufacturing	6	17	4	(*)	10	16	21	16	28	15	32	28
20	Other	10	7	11	10	14	17	13	−1	(*)	15	8	26
21	Developing countries	133	169	272	288	139	196	795	1,378	401	306	289	446
22	Petroleum	−2	−83	113	307	7	69	483	1,004	285	49	30	251
23	Manufacturing	56	125	79	−71	34	72	107	111	77	64	134	84
24	Other	80	127	179	161	70	55	204	262	118	193	46	111
25	Latin America	51	187	322	142	53	169	647	1,220	250	266	140	210
26	Petroleum	−63	−47	60	71	−38	52	357	867	162	60	24	63
27	Manufacturing	55	117	81	−71	25	70	103	90	70	56	126	78
28	Other	49	117	176	142	61	47	187	264	96	160	−1	77
29	Other	83	−18	40	146	87	27	148	158	152	39	60	227
30	Petroleum	61	−36	47	136	43	16	126	137	123	−1	5	188
31	Manufacturing	2	8	−2	(*)	7	3	5	13	7	8	8	8
32	Other	20	10	4	9	18	8	17	8	22	32	47	32
33	International and unallocated	26	−23	−26	−3	56	49	49	169	73	135	12	8

* Less than $500,000 (±).

Table 9.—Reinvested Earnings of

(Millions

Line		1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
1	All areas	475	762	923	830	782	963	1,175	1,363	944	1,089	1,266	1,054
2	Petroleum	74	204	338	290	94	205	292	468	155	110	160	140
3	Manufacturing	266	380	307	403	418	477	533	455	464	582	637	445
4	Other	135	180	188	137	100	281	351	440	326	396	470	480
5	Developed countries	327	484	464	534	533	632	711	731	588	749	857	681
6	Petroleum	51	61	80	17	70	93	154	180	90	71	114	83
7	Manufacturing	208	243	296	342	330	393	454	377	358	403	528	340
8	Other	68	93	78	86	123	147	182	108	134	185	214	257
9	Canada	140	181	230	300	274	342	441	367	270	393	398	260
10	Petroleum	20	30	33	36	25	41	67	97	48	44	40	41
11	Manufacturing	85	101	160	165	165	209	270	180	158	249	234	130
12	Other	41	60	48	99	84	93	18	110	71	110	110	89
13	Europe	151	181	175	173	198	219	231	304	238	298	363	332
14	Petroleum	32	33	45	45	36	41	66	16	8	−7	38	14
15	Manufacturing	104	131	111	115	134	143	142	154	180	213	237	180
16	Other	19	20	10	14	28	36	44	44	50	58	28	120
17	Other	30	42	48	60	60	71	88	80	74	98	106	60
18	Petroleum	−1	8	3	16	0	13	22	27	21	33	31	27
19	Manufacturing	22	20	25	32	40	47	36	43	39	49	58	11
20	Other	9	5	12	11	11	13	11	11	13	17	17	21
21	Developing countries	136	294	365	224	267	282	337	463	280	306	259	335
22	Petroleum	13	19	135	96	31	87	85	102	56	44	56	51
23	Manufacturing	59	167	101	51	79	86	78	78	76	88	98	105
24	Other	66	95	100	77	47	100	164	189	148	175	205	179
25	Latin America	103	210	263	141	127	188	236	330	191	226	278	279
26	Petroleum	6	47	99	33	26	37	53	97	24	23	30	40
27	Manufacturing	49	96	94	54	60	77	60	87	69	71	86	96
28	Other	48	67	72	54	32	74	114	145	109	137	152	143
29	Other	33	84	131	83	30	93	81	139	89	80	82	57
30	Petroleum	6	48	98	63	5	50	32	95	32	15	17	11
31	Manufacturing	9	16	7	7	10	8	0	11	17	10	12	9
32	Other	18	27	28	23	15	35	49	34	40	48	53	37
33	International and unallocated	12	63	73	58	17	49	37	163	74	34	49	58

Account Outflows, 1950–79

of dollars]

1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Line
1,454	1,976	2,328	3,468	3,625	3,050	2,855	3,138	4,413	4,441	3,214	3,195	1,276	6,198	4,253	6,413	4,577	8,944	1
606	826	799	977	787	1,079	1,149	804	1,624	1,643	1,207	−831	−5,215	2,620	1,669	1,792	412	2,790	2
712	774	1,404	1,515	1,611	1,224	946	1,310	1,253	1,564	1,163	1,569	2,861	1,501	1,041	1,363	1,587	1,236	3
387	378	934	966	1,227	748	760	1,068	1,527	1,234	764	1,669	3,626	2,076	1,520	2,437	2,877	4,928	4
1,364	1,471	1,901	2,625	3,054	2,168	1,427	2,044	3,071	3,395	1,969	3,610	5,143	2,799	3,786	3,941	2,227	3,642	5
454	633	521	561	748	736	696	467	1,083	1,007	638	1,109	1,289	1,112	1,418	1,267	226	737	6
554	587	846	1,225	1,874	960	620	934	1,306	1,280	840	1,420	2,101	921	777	1,210	1,084	648	7
357	251	534	849	945	402	393	632	683	518	501	1,280	1,744	765	591	237	928	2,258	8
314	368	398	962	985	373	384	582	769	64	376	881	643	419	20	−249	−698	915	9
169	188	25	179	115	106	147	152	361	79	−94	304	−110	−47	−85	−5	−437	5	10
12	120	140	395	439	11	−4	264	344	−89	237	148	430	120	67	23	41	380	11
148	57	159	388	433	255	241	170	238	29	345	327	344	346	42	−281	−294	630	12
862	938	1,886	1,474	1,835	1,436	984	1,197	1,694	3,269	1,139	3,670	3,604	2,329	2,408	2,930	2,447	1,246	13
229	363	414	842	593	574	358	281	878	822	583	1,057	893	1,194	1,947	1,335	728	490	14
452	395	630	760	851	684	548	587	787	1,691	533	1,235	1,502	769	658	1,031	997	−119	15
185	171	355	376	392	177	83	340	430	296	23	388	1,109	376	370	564	782	926	16
181	177	215	104	244	301	258	265	415	532	474	159	836	141	357	230	380	382	17
68	82	82	49	37	58	89	74	106	202	155	−53	425	−24	158	36	−67	293	18
89	73	87	60	84	265	99	76	85	228	85	47	179	23	24	141	107	287	19
27	22	46	85	124	70	70	114	225	103	233	165	231	142	174	53	340	−198	20
215	477	348	631	499	734	1,124	738	1,116	1,065	816	−852	−4,673	3,732	1,527	2,799	2,664	3,749	21
74	162	156	406	−4	222	506	240	590	293	329	−1,749	−6,851	1,068	603	428	564	2,065	22
158	187	188	301	207	264	408	296	167	284	323	443	670	279	265	64	502	465	23
−17	128	4	114	296	247	213	202	368	428	164	154	1,605	1,385	660	2,274	1,500	972	24
20	285	113	271	303	511	708	385	579	606	273	854	2,244	1,245	430	2,432	2,284	1,404	25
−67	5	8	−74	−107	−74	141	32	236	210	21	−54	419	−214	−599	293	208	89	26
134	180	137	345	187	197	276	215	132	228	288	300	565	246	160	80	432	621	27
−88	81	−33	100	223	191	293	138	315	288	−37	348	1,261	1,212	840	2,090	1,654	704	28
188	243	238	548	105	432	419	252	587	309	544	−1,507	−4,017	2,487	1,388	344	660	2,205	29
141	158	149	490	104	299	365	217	455	82	308	−1,695	−7,259	2,202	1,202	124	338	2,060	30
24	37	51	55	58	68	33	71	28	58	35	83	106	133	75	−16	71	67	31
31	47	38	14	42	67	21	64	57	170	201	106	377	153	110	235	254	278	32
74	27	78	13	62	117	102	346	226	541	490	235	744	−385	−880	−65	−216	−107	33

Incorporated Affiliates, 1950–79

of dollars]

1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	Line
1,161	1,307	1,431	1,648	1,791	1,757	2,440	2,530	3,176	3,176	4,635	8,568	7,777	6,048	7,694	7,286	11,458	18,414	1
133	120	−35	54	168	208	248	29	576	421	356	1,938	1,719	2,057	738	1,002	1,358	4,970	2
534	871	934	925	918	845	1,357	1,687	1,528	1,798	2,939	4,187	3,938	2,461	4,227	3,646	6,163	8,139	3
551	517	638	663	717	707	836	814	1,073	959	1,340	2,126	2,132	2,540	2,841	2,720	3,968	5,296	4
757	1,166	1,059	1,075	1,296	2,366	1,699	2,344	2,141	2,639	3,692	6,377	4,696	4,900	4,123	6,006	8,573	14,509	5
62	159	−29	29	45	88	64	62	270	254	298	1,240	1,116	836	920	683	1,629	4,068	6
412	754	782	604	719	729	1,116	1,465	1,208	1,420	2,398	3,488	2,174	2,549	3,460	3,711	4,533	6,856	7
283	320	227	268	442	447	519	406	665	765	906	1,440	1,226	1,643	1,744	1,644	2,711	3,583	8
371	583	500	540	627	650	834	1,002	810	1,023	1,279	1,867	2,314	2,173	2,451	1,707	1,724	2,894	9
41	69	54	66	85	91	108	111	160	236	276	452	530	548	724	811	664	828	10
230	335	289	283	285	334	442	610	369	574	779	1,008	1,288	1,108	2,222	455	579	1,330	11
100	128	157	191	257	224	285	280	281	214	223	406	285	515	825	441	481	786	12
280	613	498	388	414	429	627	1,054	1,134	1,215	1,891	3,507	2,768	2,346	3,084	2,845	5,065	10,592	13
−1	27	−67	−50	−65	−42	−86	−108	49	−62	18	575	434	142	33	−98	213	2,947	14
126	314	341	298	338	295	514	870	679	747	1,368	2,071	1,586	1,261	2,011	1,865	3,572	5,009	15
159	172	255	140	141	180	159	298	407	520	507	861	748	943	1,040	1,078	1,880	2,636	16
94	159	182	147	105	193	245	288	308	300	423	864	544	381	599	457	1,184	1,103	17
38	22	4	13	25	41	42	54	63	71	98	218	161	125	169	140	252	323	18
64	107	128	113	68	110	161	185	187	178	259	469	299	174	254	191	582	499	19
25	20	15	21	44	48	44	50	67	51	67	182	103	82	180	126	351	281	20
326	228	293	387	427	297	456	429	601	557	796	1,660	1,841	3,063	1,233	2,359	2,884	3,673	21
45	−7	4	6	68	33	51	−63	71	102	42	494	433	1,241	−378	465	396	943	22
103	115	171	203	199	116	249	231	223	297	436	613	703	910	945	934	1,370	1,281	23
178	121	117	180	160	148	156	161	308	158	319	454	655	932	945	960	1,140	1,450	24
308	182	250	345	800	202	881	331	458	378	645	991	1,109	1,621	1,323	1,582	2,006	3,589	25
54	−11	2	30	23	11	19	−51	41	26	20	155	95	378	227	271	187	628	26
103	99	151	178	174	83	289	262	259	346	364	475	463	602	515	679	1,210	918	27
151	94	96	137	113	108	183	118	158	101	262	358	449	647	580	632	705	1,048	28
17	47	43	43	118	96	119	89	148	183	160	578	733	1,482	−106	688	768	984	29
−9	4	2	−24	45	22	32	−12	30	77	21	228	239	1,065	−507	215	210	219	30
−1	15	21	24	25	33	31	58	63	50	71	163	194	110	132	166	200	364	31
27	27	21	43	47	41	56	43	55	56	58	84	309	284	364	317	358	401	32
105	87	79	80	157	194	261	67	434	81	45	413	410	66	349	9	31	312	33

of the larger countries—Argentina, Brazil, Venezuela, and Mexico—which together accounted for from 76 to 86 percent of the position. For almost all of the period, the position was largest in Brazil and Mexico. At yearend 1979, these two countries together accounted for 63 percent of the position.

The position in manufacturing tended to grow faster during the sixties and seventies than during the fifties. This quickening of growth coincided with the formation of two regional groupings—the Latin American Free Trade Area and the Central American Common Market. However, judging from the extremely high proportion of affiliate sales that were local (i.e., within each affiliate's own country of location), the growth in the position probably did not reflect U.S. direct investors' efforts to gain preferential access to third-county markets within the groupings.[14] Instead, it was probably more due to increasing rates of economic growth and shifts toward manufacturing in the composition of output in the larger countries. This was particularly true in Brazil, where, beginning in about 1964, major changes in various internal policies resulted in very rapid economic growth that continued through the early seventies.

The 14.0-percent average annual rate of growth in the position in *"other" developing countries* was the highest among the five major areas. Despite this rapid growth and the area's large number of countries, some of which had sizable populations, the position in this area remained the smallest among the major areas throughout 1950–79. The small position reflected these countries' generally low per capita incomes and correspondingly small markets for goods likely to be produced by large, technologically sophisticated multinational corporations. It also reflected political uncertainty, and language and cultural barriers to investment. Changes in the position in individual years were erratic, particularly in the early part of the period.

Throughout 1950–79, the position in manufacturing in "other" developing countries was highly concentrated in Asian and Pacific countries outside the Middle East; these countries' share of the total ranged from 73 to 86 percent. Among these countries, however, the geographical composition of the position changed significantly. During the fifties, the Philippines, India, and Indonesia together accounted for roughly a 90-percent share. During the sixties and seventies, this share declined, due to rapid growth in investment in other Asian and Pacific countries outside the Middle East, and by yearend 1979, it had fallen to about 35 percent. Investment in the other countries—such as Singapore, Hong Kong, Korea, and Taiwan—grew rapidly, partly as a result of policies to promote the manufacture, by both foreign and domestic investors, of labor-intensive products for export.

Other industries

At yearend 1950, the position in "other" industries was $4.6 billion. From 1950 to 1979, the position grew at an average annual rate of 9.7 percent, and at yearend 1979 was $67.5 billion. Growth in individual years ranged from 2 percent in 1960, when the expropriated investments in Cuba were removed from the position, to 17 percent in 1974, when the previously mentioned Latin American finance affiliates of U.S. petroleum companies were established.

Rates of growth in the position in "other" industries varied considerably among areas. In developed countries, the growth rate was 11.3 percent per year; in developing countries, 7.9 percent; and in "international and unallocated," 13.3 percent. Among developed countries, the growth rate was 8.3 percent in Canada, 15.0 percent in Europe, and 14.3 percent in "other" developed countries. Among developing countries, it was 7.3 percent in Latin America and 11.5 percent in "other" developing countries.

Rates of growth in the position also varied considerably among industries within "other" industries. The position in finance and insurance (which consisted primarily of investment in finance affiliates) and in trade (which consisted primarily of investments in wholesale trade affiliates) grew significantly faster than the position in all "other" industries combined. The position in mining and smelting; transportation, communication, and public utilities; and all other industries, including agriculture, grew significantly slower. The slower growth in these industries partly reflected increasing pressures for transportation systems and public utilities to be operated, and for exploitation of natural resources to be conducted, by or with increased participation of domestic investors.

Throughout 1950–79, the position in "other" industries was concentrated in three areas—Canada, Europe, and Latin America. At the beginning of the period, the largest shares were accounted for by Latin America and Canada. Subsequently, the shares of these areas declined, while the share of Europe increased. At yearend 1979, Europe had the largest share.

In *Canada*, the average annual rate of growth was 8.3 percent. The rate ranged from a small negative rate in 1971 to a positive 16 percent in 1952. The negative 1971 rate resulted from a sizable negative valuation adjustment that reflected the reclassification, from direct to portfolio investment, of a publicly held affiliate in finance and insurance. The affiliate was reclassified because the ownership interest of U.S. investors had fallen below the level used to define investment in such publicly held affiliates at that time (see technical note). For the same reason, a negative adjustment was made in 1972 to reflect the reclassification of a publicly held mining and smelting affiliate; as a result, growth in the position in that year was unusually low—1 percent. Other years in which the position grew relatively slowly were 1961 and 1977. In 1961, some investment in public utilities was reclassified from direct to portfolio investment. In 1977, slow growth was

14. Of total sales by majority-owned Latin American manufacturing affiliates in 1970, the most recent year for which data are available, 84 percent were local, while only 4 percent were exports to countries other than the United States. (In contrast, for the European Communities (9), a significantly smaller fraction of sales—69 percent—was local, and a significantly larger fraction—29 percent —was exports to countries other than the United States.) See William K. Chung, "Sales by Majority-Owned Foreign Affiliates of U.S. Companies, 1970," SURVEY, Vol. 58 (March 1978), p. 36.

largely attributable to net equity and intercompany account inflows from a number of finance affiliates.

Rapid growth in the position in Canada in 1952, and to a lesser extent in other years in the early fifties, resulted from sizable equity and intercompany account outflows to mining affiliates. A substantial portion of these outflows financed the development of new iron-ore-mining facilities.

Growth was also relatively rapid in 1965 and 1966, when increases of 14 and 15 percent, respectively, were registered. This partly reflected a surge in purchases by U.S. investors of securities issued by publicly held finance affiliates. These purchases, in turn, probably reflected the response of U.S. investors to the Interest Equalization Tax, which had been in effect since mid-1963 and which provided a tax exemption for interest received from Canadian sources. The exemption encouraged U.S. investors to substitute securities issued by Canadian companies for securities issued by companies in other developed countries; interest receipts from the latter countries were subject to the tax.

In *Europe*, the 15.0-percent growth rate in the position in "other" industries was the average of rates in individual years ranging from 6 percent in 1952 and 1968 to 31 percent in the BEA benchmark year 1966. The low 1952 rate was consistent with generally low growth rates in the early fifties. The low rate in 1968—the first year of mandatory direct investment controls—may have been due to a substitution by affiliates of funds borrowed from foreign sources for funds from U.S. parents as a source of financing.[15]

The high 1966 rate primarily reflected a change in the method of classifying the position by country and industry (see technical note). This change resulted in an increase in the position in finance and insurance in Europe because of the inclusion of substantial investment in European holding companies through which U.S. parents indirectly owned affiliates in other areas or industries. The 1966 rate was the culmination of generally rapid growth from the late fifties through the midsixties. The average rate of growth during 1956–65 was 21.0 percent.

The position in "other" industries in Europe tended to be largest in trade throughout 1950–79. The position in trade mainly represented investment in wholesale trade affiliates that had been established to distribute goods produced by U.S. parents and by their foreign manufacturing affiliates. The distribution of goods produced by manufacturing affiliates in the European Communities probably increased in importance following the formation of the European Economic Community and the associated expansion of U.S. manufacturing investment.

Data on the position in finance and insurance are available only for the benchmark years 1950, 1957, and 1966, and for 1967 forward. For 1950 and from 1966 forward, the position in finance and insurance was larger than the position in any industry except trade. Part of the position in finance and insurance represented investment in affiliates that were established to finance the operations of affiliates in other industries, such as manufacturing and trade; the position also represented investment in banking affiliates, and—starting in 1966—in holding companies.

In *Latin America*, the relatively low growth rate—7.3 percent—was the average of very low rates in most years before the early seventies, offset by considerably higher rates in subsequent years. The position grew at an average annual rate of 4.3 percent from 1950 to 1972, compared with 17.1 percent from 1972 to 1979. In the earlier period, the rate of growth in each year was lower than in any year in the later period.

The relatively slow growth in the earlier period stemmed from an initial concentration of the position in industries—such as agriculture, mining, and public utilities—that were returned, to a substantial extent, to local ownership during that period. In the case of agriculture, slow growth may also have reflected the secular tendency for agriculture to grow more slowly than other industries as economic development progresses.

The position in Latin America actually declined in 2 years—13 percent in 1960, and 2 percent in the BEA benchmark year 1966. The decline in 1960 reflected the removal from the position of about $0.7 million of expropriated investments in Cuba. These investments were primarily in agriculture (mainly sugar) and public utilities.

The lowest positive growth rates were recorded in 1962 and 1964—2 percent in each case. In 1962, slow growth or slight declines occurred in several industries. Growth was slow in 1964 primarily because of a 19-percent decline in transportation, communication, and public utilities that, in turn, reflected the sale of an electric power utility to the Brazilian Government.[16]

Reductions in the position in mining and smelting in Chile significantly depressed growth in the position in Latin America in 1969, 1972, and 1974, although the effect was obscured by growth in other areas and industries. The reductions, which totaled about $0.6 billion in the 3 years combined, reflected the nationalization of U.S.-owned Chilean copper mines. The reductions were made through both equity and intercompany account inflows, which reflected compensation received for the nationalized properties, and valuation adjustments, which reflected disputed claims that the U.S. direct investors wrote off or transferred to a U.S. Government insurance agency.

In the 1972–79 period, the finance and insurance industry contributed most significantly to the relatively rapid (17.1 percent) growth in the position in Latin America. The position in this industry grew at an average annual rate of more than 30 percent over the 7-year period. This very high growth rate was partly attributable to the previously mentioned establishment, in 1974, of finance affiliates of U.S. petroleum companies, and to subsequent expansion of investment in these affiliates. Investment in other finance affiliates including banks and holding companies, also grew

15. This is suggested by data for majority-owned foreign affiliates in Mantel, "Sources and Uses of Funds," pp. 40 and 41.

16. The proceeds of the sale were largely interest-bearing notes, which were included in portfolio investment. Valuation adjustments, rather than balance-of-payments capital flows, were used to record this change from direct investment to portfolio investment.

rapidly. Most of this investment was, for tax reasons, located in the Caribbean and in Panama. Its expansion was probably related, among other factors, to expansion of international lending activity during the period.

Technical Note

Benchmark revisions

As noted in the text, estimates made for a benchmark year by linking sample data to the previous benchmark survey generally differ from data collected in the new benchmark survey, because movements in the sample data do not perfectly reflect movements in the direct investment universe. Table 6 compares estimates on the two bases for the benchmark years 1957 and 1966.

Classification of position in indirectly owned affiliates

Before 1966, the positions in indirectly owned affiliates were classified in these affiliates' own countries and industries. A portion of the position in the directly owned affiliate through which the U.S. parent owned a given indirectly owned affiliate was attributed to the indirectly owned affiliate and "allocated" to its country and industry. After 1966, the position was, with one exception, classified instead in the country and industry of the directly owned affiliate. The exception was that any direct transactions, such as intercompany loans, of the U.S. parent with the indirectly owned affiliate continued to be classified in that affiliate's own country and industry. For 1966, the position was classified both ways for purposes of comparison.[17] In this article, the classification used for 1966 is the one described for years after 1966.

Changes in definition of direct investment

From 1950 to 1961, direct investment was generally defined in two ways: (1) as ownership by a single U.S. investor (defined to include an associated group of investors) of at least 25 percent of the voting interest in a foreign business enterprise, or (2) ownership, by several U.S. investors collectively, of at least 50 percent of the voting interest in a publicly held foreign business enterprise in which no one U.S. investor owned as much as 25 percent. In a few instances, interests of slightly less than 25 percent were included where important management relationships were known to be associated with the interests. Beginning in 1962, all ownership interests of 10–25 percent were included in direct investment. In 1970–71, the only two publicly held affiliates of any significance were dropped from the direct investment universe because the 50-percent criterion was no longer met.

Measurement of position at historical book value

The position reflects U.S. direct investors' net claims on their foreign affiliates in terms of historical book values, not in terms of constant dollars—probably the measure of greatest interest for the analysis of long-term trends. This limits the significance that can be attached to rates of growth in absolute terms, or to small differences in rates of growth among time periods, that may be attributable to variations in rates of inflation or foreign exchange rates. However, comparisons of rates of growth among areas or industries during a given period, or even among periods, usually appear to be attributable more to specific economic, political, or other factors than to rates of inflation or foreign exchange rates. Where the latter two factors do seem particularly important, they have been noted in the text.

17. See *U.S. Direct Investment Abroad: Final Data.*